

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hamlin-Pere Marquette Water/Sewer Authority	County Mason
Audit Date 12/31/05	Opinion Date 4/5/06	Date Accountant Report Submitted to State: 5/22/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

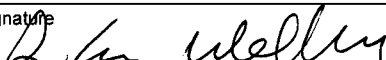
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Douglas Wohlberg, CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature 		Date 5/22/06	

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2005

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

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December 31, 2005

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DOUGLAS WOHLBERG

Certified Public Accountant

To the Authority Board
Hamlin-Pere Marquette Water and Sewer Authority
Mason County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Hamlin-Pere Marquette Water and Sewer Authority as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamlin-Pere Marquette Water and Sewer Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hamlin-Pere Marquette Water and Sewer Authority as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Byron Center, Michigan
April 5, 2006

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Management Discussion and Analysis

For the year ended December 31, 2005

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

The Authority as a Whole

The Authority's combined net assets increased 19% from a year ago, from \$1,072,618 to \$1,271,175. This results from reductions in long-term debt.

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities	
	2005	2004
Current assets	\$ 3,860	\$ 3,597
Noncurrent assets	2,591,171	2,620,726
Total assets	2,595,031	2,624,323
Long-term debt outstanding	1,120,000	1,275,000
Other liabilities	203,856	276,705
Total liabilities	1,323,856	1,551,705
Net assets		
Reserved for debt service	3,860	3,597
Invested in capital assets - net of debt	1,316,171	1,125,726
Unrestricted	(48,856)	(56,705)
Total net assets	1,271,175	1,072,618
Total liabilities and net assets	\$ 2,595,031	\$ 2,624,323

Net assets reserved for debt service, the part of net assets that can be used to repay long-term debt, increased by \$263 from \$3,597 to \$3,860. This is an increase of approximately 7%. This is within the targeted range set by the Authority Board during its last budget process.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Management Discussion and Analysis

For the year ended December 31, 2005

The following table shows the changes of the net assets as of December 31, 2005 and 2004:

	2005	2004
<u>General Revenue</u>		
Miscellaneous	\$ 263	\$ 10
Transfers	298,930	301,578
<u>Total General Revenue</u>	<u>299,193</u>	<u>301,588</u>
 <u>Program Expenses</u>		
Governmental	100,636	111,572
 Change in Net Assets	\$ 198,557	\$ 190,016

Governmental Activities

Expenditures in 2005 decreased by \$2,648 from the prior year.

The Authority's Funds

Our analysis of the Authority's major funds begins on page 10, following the entity wide financial statements. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's major fund for 2005 was the Debt Service Fund.

Capital Asset and Debt Administration

At the end of 2005, the Authority had \$2,591,171, net of accumulated depreciation, invested in water and sewer mains.

Economic Factors and Next Year's Budgets and Rates

The Authority's budget for 2006 remains little changed from its 2005 budget because the Authority expects only to repay long-term debt and make no additions to the Water and Sewer systems.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's Treasurer at the Pere Marquette Township hall, 1699 S. Pere Marquette Highway, Ludington, Michigan, 49431. The Authority's phone number is (231) 845-1277.

GOVERNMENT WIDE FINANCIAL STATEMENTS

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Statement of Net Assets

For the year ended December 31, 2005

	Governmental activities
ASSETS	
Cash and cash equivalents	\$ 3,860
Capital assets - net	2,591,171
TOTAL ASSETS	\$ 2,595,031
LIABILITIES	
Accrued and other liabilities	\$ 48,856
Due within one year	155,000
Due in more than one year	1,120,000
TOTAL LIABILITIES	1,323,856
NET ASSETS	
Reserved for debt service	3,860
Invested in Capital Assets	1,316,171
Unrestricted	(48,856)
TOTAL NET ASSETS	1,271,175
TOTAL LIABILITIES AND NET ASSETS	\$ 2,595,031

The Notes to the Financial Statements are an integral part of this statement.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Statement of Activities

For the year ended December 31, 2005

Functions/Programs	Expenses	Governmental activities
Primary Government Expenses		
General government	\$ 100,636	\$ (100,636)
General Revenues		
Miscellaneous		263
Transfers		298,930
Total general revenues - special items and transfers		299,193
Change in net assets		198,557
Net assets at beginning of year		1,072,618
Net assets at end of year		\$ 1,271,175

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Governmental Funds

Balance Sheet

December 31, 2005

		Debt Service Fund
ASSETS		
Cash and cash equivalents	\$	3,860
Receivables		1,275,000
TOTAL ASSETS	\$	1,278,860
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Deferred revenue	\$	1,275,000
FUND BALANCES		
Debt Service		3,860
TOTAL LIABILITIES AND FUND BALANCES	\$	1,278,860

The Notes to the Financial Statements are an integral part of this statement.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended December 31, 2005

Total fund balances - total governmental funds	\$	3,860
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	2,955,496
Accumulated depreciation	(364,325)
Net capital assets	2,591,171

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at December 31, 2005 were:

Bonds payable	(1,275,000)
Accrued interest on bonds	(48,856)
Net assets of governmental activities	\$ 1,271,175

The Notes to the Financial Statements are an integral part of this statement.

Hamlin-Pere Marquette Water and Sewer Authority
Mason County, Michigan
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the year ended December 31, 2005

	<u>Debt Service Fund</u>
<u>REVENUE</u>	
Other revenue	\$ 263
<u>EXPENDITURES</u>	
General government	1,700
Debt Service	
Interest	75,605
Principal	220,000
Other	1,625
TOTAL EXPENDITURES	298,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(298,667)
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers from other funds	298,930
NET CHANGE IN FUND BALANCES	263
<u>FUND BALANCES, BEGINNING OF YEAR</u>	3,597
<u>FUND BALANCES, END OF YEAR</u>	\$ 3,860

The Notes to the Financial Statements are an integral part of this statement.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended December 31, 2005

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Net change in fund balances - total governmental funds	\$	263
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		220,000
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(29,555)
Accrued interest		7,849
Change in net assets of government activities	\$	198,557
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The Notes to the Financial Statements are an integral part of this statement.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Debt Service Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended December 31, 2005 with comparative actual amounts for 2004

	Original and final budget	Actual	Variance with final budget	2004
REVENUE				
Other revenue	\$ -	\$ 263	\$ 263	\$ 10
EXPENDITURES				
General government	1,910	1,700	210	1,600
Debt Service				
Interest	75,607	75,605	2	88,353
Principal	220,000	220,000	-	210,000
Other	1,700	1,625	75	1,625
TOTAL EXPENDITURES	299,217	298,930	287	301,578
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(299,217)	(298,667)	550	(301,568)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	299,207	298,930	(277)	301,578
NET CHANGE IN FUND BALANCES	(10)	263	273	10
Fund balance at beginning of year	3,597	3,597	-	3,587
Fund balance at end of year	\$ 3,587	\$ 3,860	\$ 273	\$ 3,597

The Notes to the Financial Statements are an integral part of this statement.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hamlin-pere Marquette Water And Sewer Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Hamlin-pere Marquette Water And Sewer Authority:

A. Reporting Entity

The Hamlin-pere Marquette Water And Sewer Authority was incorporated on March 21, 1990, under the provisions of Act 233, P.A. 1955 of the State of Michigan, as amended, by the Charter Township of Pere Marquette and the Township of Hamlin for the purpose of operating a water supply and a sewage disposal system.

The Authority is a component unit of the Charter Township of Pere Marquette and is presented as a discretely presented component unit in the Township's financial statements. The Authority and the Township have a capital lease arrangement and a contractual agreement related to the water supply and sewage disposal system which are described in Notes 5 and 6.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information of the Authority. The Authority has no fiduciary activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the governmental fund. The major individual governmental fund is reported as a separate column in the fund financial statements.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental fund:

The Debt Service Fund accounts for transfers from Pere Marquette Charter Township used to pay principal and interest on long-term debt of the Authority.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Water and Sewer Lines	100 years
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Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the beginning of the year, the Authority Chairperson submits to the board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.

On or before December 31, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the Authority board.

Budgeted amounts are presented as originally adopted, or as amended by the Authority board before December 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the debt service fund is prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Authority Board throughout the operating year.

The Authority adopts budgets for the Debt Service Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Authority Board.

The legal level of control is at the fund expenditure totals for the Debt Service fund.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Hamlin-pere Marquette Water And Sewer Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Hamlin-pere Marquette Water And Sewer Authority Board has designated one bank for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Hamlin-pere Marquette Water And Sewer Authority's deposits and investment policy are in accordance with statutory authority.

At year-end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

		Governmental activities
Cash and cash equivalents	\$	3,860

The bank balance of the Authority deposits is \$3,860, of which \$3,860 is covered by federal depository insurance and \$0 is uninsured.

NOTE 4 - RECEIVABLES

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

		Unavailable	Unearned
Lease receivable	\$	1,275,000	\$ 1,275,000

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Authority for the current year was as follows:

Governmental Activities	Balance January 1, 2005	Additions	Disposals	Balance December 31, 2005
Capital assets being depreciated:				
Sewer and water mains	\$ 2,955,496	\$	\$	\$ 2,955,496
Accumulated depreciation:				
Sewer and water mains	334,770	29,555		364,325
Net capital assets	\$ 2,620,726	\$ (29,555)	\$	\$ 2,591,171

Depreciation expense was charged to programs of the Authority as follows:

Governmental activities:

General Government	\$ 29,555
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NOTE 6 - LEASES

The Authority has a capital lease arrangement with the Charter Township of Pere Marquette which provides lease payments by the Township equal to the debt service on outstanding bonds. Accordingly, the Authority has a lease receivable and deferred revenue in the amount of \$1,275,000 recorded in the debt service fund which is equal to the total outstanding debt.

NOTE 7 - CONTRACTUAL AGREEMENT

The Authority entered into a contractual agreement with the Charter Township of Pere Marquette for construction, operation, maintenance and administration of a water supply and sewage disposal system. The construction of the system has been financed by the sale of four general obligation bond issues. The Township is obligated to fund the debt service on the bond issues. Since the Authority's inception and through December 31, 2005, Hamlin Township has participated only to the extent of a legislative role.

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Notes to Financial Statements

For the year ended December 31, 2005

NOTE 8 - LONG-TERM DEBT

The Authority issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority.

Bond obligation activity can be summarized as follows:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due within one year
Bonds Payable	\$ 1,495,000	\$	\$ 220,000	\$ 1,275,000	\$ 155,000

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Bonds Payable		Total
	Principal	Interest	
2006	\$ 155,000	\$ 65,141	\$ 220,141
2007	165,000	56,752	221,752
2008	150,000	48,700	198,700
2009	155,000	41,177	196,177
2010	85,000	34,959	119,959
2011	85,000	30,156	115,156
2012	90,000	25,190	115,190
2013	90,000	20,038	110,038
2014	100,000	14,550	114,550
2015	100,000	8,750	108,750
2016	100,000	2,925	102,925
Totals	\$ 1,275,000	\$ 348,338	\$ 1,623,338

Total interest cost incurred during the year was \$78,791.

Long-term Debt Schedules

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Schedule of Bonded Debt

\$420,000 System No. 2 Bonds - Hamlin/Pere Marquette Water & Sewer Authority

December 31, 2005

Year ended December 31,	Interest Rate	Principal	Interest	Total
2006	6.40%	\$ 40,000	\$ 4,206	\$ 44,206
2007	6.50%	45,000	1,463	46,463
Totals		\$ 85,000	\$ 5,669	\$ 90,669

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Schedule of Bonded Debt

\$980,000 System No. 3 Bonds - Hamlin/Pere Marquette Water & Sewer Authority

December 31, 2005

Year ended December 31,	Interest Rate	Principal	Interest	Total
2006	4.50%	\$ 80,000	\$ 13,950	\$ 93,950
2007	4.50%	85,000	10,238	95,238
2008	4.50%	90,000	6,300	96,300
2009	4.50%	95,000	2,137	97,137
Totals		\$ 350,000	\$ 32,625	\$ 382,625

Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Schedule of Bonded Debt

\$995,000 System No. 4 Bonds - Hamlin/Pere Marquette Water & Sewer Authority

December 31, 2005

Year ended December 31,	Interest Rate	Principal	Interest	Total
2006	5.50%	\$ 35,000	\$ 46,985	\$ 81,985
2007	5.55%	35,000	45,051	80,051
2008	5.60%	60,000	42,400	102,400
2009	5.60%	60,000	39,040	99,040
2010	5.63%	85,000	34,959	119,959
2011	5.65%	85,000	30,156	115,156
2012	5.70%	90,000	25,190	115,190
2013	5.75%	90,000	20,038	110,038
2014	5.80%	100,000	14,550	114,550
2015	5.80%	100,000	8,750	108,750
2016	5.85%	100,000	2,925	102,925
Totals		\$ 840,000	\$ 310,044	\$ 1,150,044

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Hamlin-pere Marquette Water And Sewer Authority
Mason County, Michigan

We have audited the general purpose financial statements of Hamlin-pere Marquette Water And Sewer Authority, Mason County, Michigan for the year ended December 31, 2005, and have issued our report thereon dated April 5, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated March 21, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Hamlin-pere Marquette Water And Sewer Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

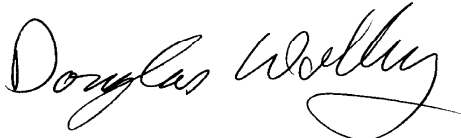
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hamlin-pere Marquette Water And Sewer Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hamlin-pere Marquette Water And Sewer Authority are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2005. We noted no transactions entered into by Hamlin-pere Marquette Water And Sewer Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Authority Board and management of Hamlin-pere Marquette Water And Sewer Authority and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
April 5, 2006

MANAGEMENT COMMENTS LETTER

To the Board
Hamlin-pere Marquette Water And Sewer Authority
Mason County, Michigan

In planning and performing our audit of the financial statements of Hamlin-pere Marquette Water And Sewer Authority for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

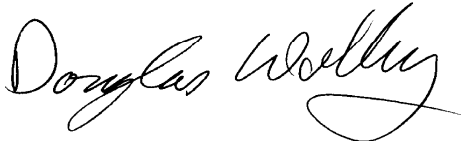
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Hamlin-pere Marquette Water And Sewer Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2005 financial statements, and this report does not affect our report on those financial statements dated April 5, 2006. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA
Byron Center, Michigan
April 5, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board
Hamlin-pere Marquette Water And Sewer Authority
Mason County, Michigan

We have audited the general purpose financial statements of Hamlin-pere Marquette Water And Sewer Authority, Mason County, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated April 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

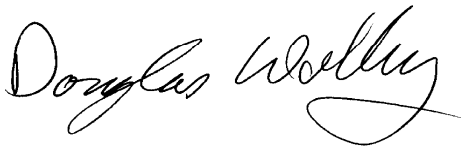
Compliance

As part of obtaining reasonable assurance about whether Hamlin-pere Marquette Water And Sewer Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamlin-pere Marquette Water And Sewer Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
April 5, 2006